THE SCHORK REPORT

FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, August 16, 2024

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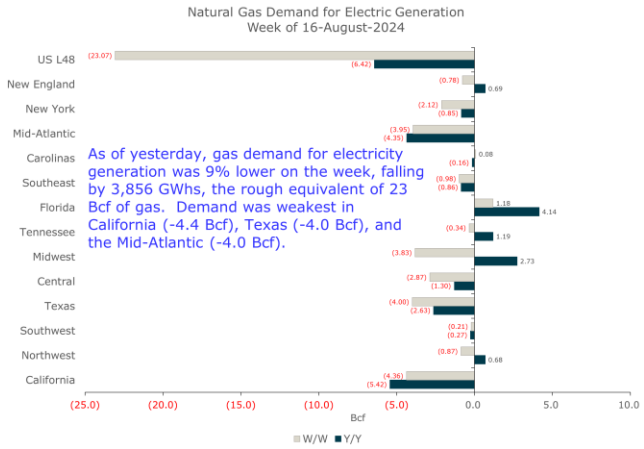
Probability Today's Close Will Finish Below/Above Previous Session's Low/High Prints			
NYMEX NATURAL GAS	Prev Close $ 2.197	Close < $2.189 49%	Close > $2.301 21%
NYMEX WTI	Prev Close $ 78.16	Close < $76.93 34%	Close > $78.60 43%
ICE Brent	Prev Close $ 80.91	Close < $79.61 31%	Close > $81.43 41%
NYMEX RBOB	Prev Close $ 2.3580	Close < $2.3133 29%	Close > $2.3723 42%
NYMEX ULSD	Prev Close $ 2.3779	Close < $2.3621 41%	Close > $2.3976 38%
ICE Gasoil	Prev Close $ 733.50	Close < $727.25 38%	Close > $738.00 41%



Nota Bene: As of yesterday, average electricity demand was 5.5% lower W/W and 2.5% lower Y/Y at a 9-week low of 13,017 GWhs.

3-Week Directional Momentum & Money Flow As Of Thursday, August 15, 2024		NYMEX NG	NYMEX WTI	ICE Brent	NYMEX RBOB	NYMEX ULSD	ICE Gasoil
Price	Trend	Rising	Rising	Rising	Falling	Falling	Falling
Volume	Trend	Rising	Rising	Falling	Rising	Rising	Rising
	Bias	Bullish	Bullish	Bearish	Bearish	Bearish	Bearish
Open Interest	Trend	Falling	Falling	Falling	Falling	Rising	Rising
	Bias	Bearish	Bearish	Bearish	Bullish	Bearish	Bearish
Market Signal		Neutral	Neutral	Bearish	Neutral	Bearish	Bearish
Market Volatility		Rising	Rising	Falling	Rising	Rising	Falling

Omnium Gatherum

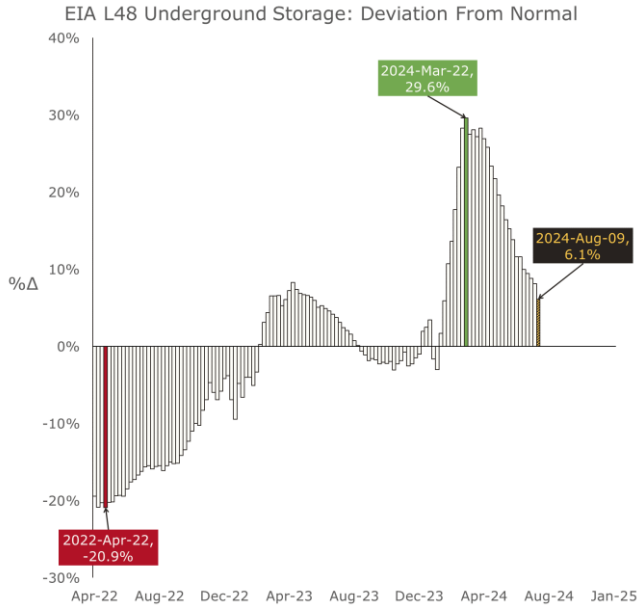
PRICES WERE MIXED … oil bounced as traders, wary of going into the weekend oversold, covered and gas faltered as traders ignored the first summer delivery since 2016 and only the fourth since 1993.

What We Are Watching

Yesterday, the EIA produced a whopper. For the week of August 09th, L48 underground natural gas storage fell by 6 Bcf to 3.264 Tcf. This is only the fourth time on record that the EIA reported a summer delivery. The three other deliveries occurred on July 21st, 2006, with a 7 Bcf withdrawal, August 04th, 2006 with a 12 Bcf withdrawal, and July 29th, 2016, with a 6 Bcf delivery. The typical refill for early, to mid-August is 44 ± 11 Bcf.

This season's addition fell (!) to 1.005 Tcf, which is significantly below the seasonal norm of 1.304 Tcf. At this time last year, the injection was 1.235 Tcf, 230 Bcf higher. However, considering that last year's starting balance was much lower—1.830 Tcf compared to 2.259 Tcf—last year's injection is 421 Bcf greater on a proportional scale.

About 60% of the season is in the books and 64% of last winter's delivery has been replenished. This percentage has hardly budged since the 04th of July holiday.



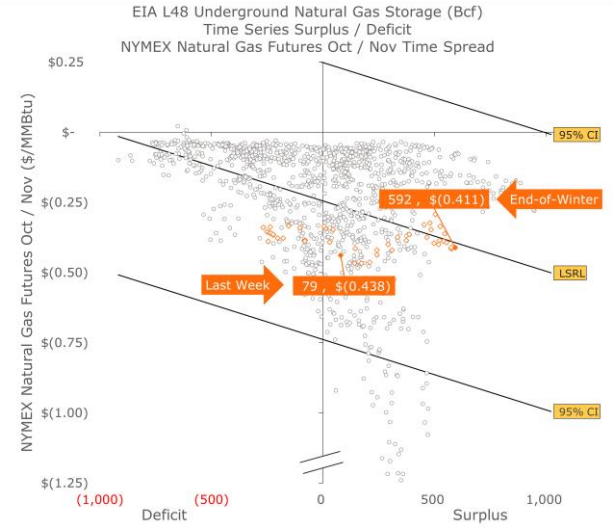
Two summers ago, L48 storage was 21% below the seasonal norm. At the end of last winter, storage peaked at a 30% surplus, which has since narrowed to 6%.

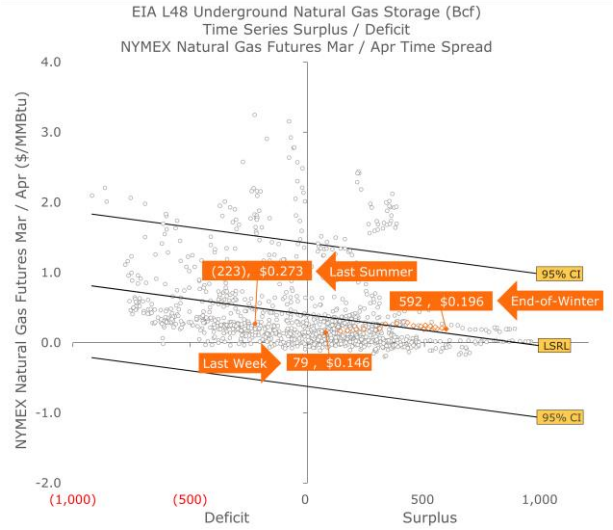
We are in the hottest part of the year. Since the start of summer, utilities have called on a net of 44 Bcf of their

inventories in the Salt Region to sate cooling demand. This is a normal delivery, so, we must look elsewhere to find which market's a lagging.

Let's start in the Nonsalt region, since June, a total of 22 Bcf has been refilled, whereas we normally see a 99 Bcf injection by this point. In the East, we have only seen a 148 Bcf injection this summer which is about 50% less than what we normally see. It is the same story in the Midwest where a 181 Bcf injection is only about 60% of what you typically see.

Despite this season's meager pace of refills, the contango on the end-of-summer Oct-24/Nov-24 spread on the NYMEX averaged –$0.438 per MMBtu last week, one week after hitting a season-to-date high of –$0.466 per MMBtu. Since the end of last winter, L48 storage has plunged from a 592 Bcf surplus against our model to 79 Bcf yet, the contango has grown from –$0.411 per Btu to –$0.438 per MMBtu.

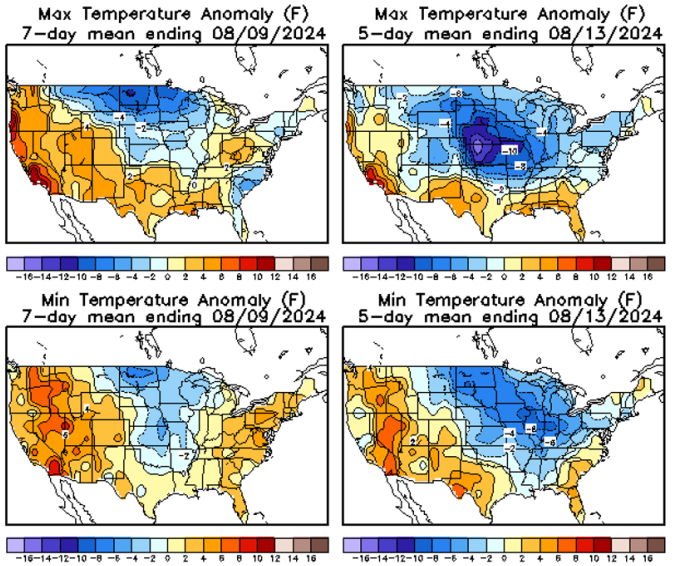




Strong contangos and weak backwardations are hallmarks of fundamentally bearish markets.

Last summer, L48 storage peaked at a 223 Bcf deficit to our model, and the Mar-24/Apr-24 backwardation traded at +$0.273 per MMBtu. By the end of last winter, that 223 Bcf deficit morphed into a 592 Bcf surplus and the Mar-25/Apr-25 backwardation entered spring at +$0.196 per MMBtu. As of last week, the backwardation sank to a season-to-date low of +$0.146 per MMBtu!

Last week (See below, first panel), cooling demand was soft in the East and Midwest, and strong in Texas. Overall gas demand for electricity generation was 3% or 1,101 GWhs higher, the rough equivalent of 7 Bcf of gas, with ERCOT accounting for the lion's share of consumption.



Source: NOAA, CPC

This week (second panel), cooling demand has backed off. As of yesterday, gas demand for electricity generation was 9% lower on the week, falling by 3,856 GWhs, the rough equivalent of 23 Bcf of gas. Demand was weakest in California (-4.4 Bcf), Texas (-4.0 Bcf), and the Mid-Atlantic (-4.0 Bcf).